

# The Conference Board MANAGEMENT RECORD

NOVEMBER, 1941

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National Industrial Conference Board, Inc.

VOL. III, No. 11

## What Is The Cost of Living?

SCENE: *Almost any Personnel Office almost any time. The door opens and an employee sticks his head in.*

EMPLOYEE: "Say, Mr. Blake, can I talk to you a few minutes?"

PERSONNEL DIRECTOR: "Sure, Tom, come in."

*(Tom enters and sits down beside Mr. Blake's desk.)*

TOM: It's about this cost-of-living business. It's got me buffaloed. In the conference with our committee the other day you said the cost of living had only gone up about 6% during the last year. We don't doubt but what you believe what you're saying, but to most of us it just doesn't make sense. Just last night the wife was crabbing about how the prices of meat and cheese and eggs were shooting up. I told her you'd said that the cost of living had gone up only 6% in the last year and she said such talk was just plain nonsense, and that women knew better if men didn't, because they were doing the buying. She said to bring you up sometime so you could show her some of the stores where prices hadn't gone up any more than that.

P. D.: *(laughing)* So, you're trying to put me on the spot, Tom.

TOM: *(very seriously)* No, Mr. Blake, it's not that. Here's the proposition in a few words. When we go to buy stuff it's as clear as day to us that prices have gone up a lot. But you say that according to the cost-of-living index it only costs 6% more to live now than it did a year ago. So we'd like to know what in the deuce this cost-of-living index you talk about is. How is it figured? How do the people who make it up know what we buy and what we have to pay? What sorts of things do they get prices on and how do they get them? And how, from all the dope they get, do they figure how much the cost of living has changed?

P. D.: Those are very fair questions, Tom, and I'll

try to answer them the best I can, although I don't pretend to be a statistician. I used to wonder about them too, so when I was in New York a while ago, I dropped in at the offices of THE CONFERENCE BOARD and asked their statisticians how their cost-of-living index was computed, and I'll tell you what I learned from this conversation. I can't repeat all that I was told about the statistical methods used in computing the data because, as I said, I'm not a statistician, and I wasn't particularly interested in that angle. What I wanted to know was where and how they get their information about prices and how in general they use this information in making up a figure that represented changes in the cost of living. And I imagine that's about what you have in mind.

TOM: That's right, Mr. Blake, that's just what I want to know.

P. D.: O. K. Let's go. First of all, there are two nationwide cost-of-living indexes that are generally accepted as authoritative. One is prepared by the Bureau of Labor Statistics of the United States Department of Labor, and the other by the NATIONAL INDUSTRIAL CONFERENCE BOARD, an independent research organization located in New York City. The methods used are probably generally similar and the results closely parallel each other, but since I am more familiar with THE CONFERENCE BOARD series, I will confine my description to that.

The purpose of a cost-of-living index is to trace the changes in what it costs the average working man to provide a living for his family. Of course, every family's expenditures can't be studied, nor can the prices in every store be obtained. If you were to do that, you'd have to turn an army loose on the job of investigating family budgets and prices. What they have to do is use a sampling method just as we do when we're buying materials. We sample about every fifth case or lot and if that's running according to specifications we take it



for granted that the rest of it is about the same. This sampling method is used in studying cost-of-living changes. And here's the way they go about it.

First, they have to know how people spend their money for the necessities of life. To learn this, investigators call on hundreds of working men's families, go over their expenditures with them and set down as accurately as possible just how they spend their money over a period of time. Then all these case studies of family expenditures are thrown together to get an average. This average, based on all these hundreds of case studies, shows pretty well about what a working man's family buys—what kind of things are bought and in about what quantities. This, then, is the family budget that is used in determining changes in the cost of living. It's a budget based not on anybody's guess about how working men's families spend their money but on studies that showed how they actually did spend their money.

TOM: That's all right, but everybody's family budget is different. Now in my family we eat a lot of meat and over at Bill Clancy's they go strong on vegetables that are a lot cheaper. So, if meat prices are going up fast my cost of living is rising faster than Bill's.

P. D.: Sure, that's right. No one pretends that a cost-of-living index can measure the changes in every family's living costs exactly. The best you can do is to fix up an average budget and use that as a general measuring stick of cost-of-living changes. But this budget, remember, is based on actual experience and the chances are that the differences between total budget expenditures aren't as great as you might think off-hand. You may spend more for food than Bill Clancy does, but he may spend more on rent or clothes than you do, so that in lots of cases the differences balance each other.

With the average family budget as a measuring stick, the next job is to price the various items in it each month and then, by applying price changes to quantities consumed, find out how much living costs have changed since the last month.

TOM: Just a minute, Mr. Blake. You're covering ground too fast. It's the steps between this average budget and the cost-of-living index that I don't get.

P. D.: I know, Tom. I'm going to cover those steps one at a time.

The standard budget is divided into five groups of items: food, housing, clothing, fuel and light, and sundries. The food section of the budget, for example, is made up of such staples as flour, cereals, bread, round steak, chuck roast, veal cutlets, pork chops, bacon, ham, leg of lamb, roasting chickens, salmon, butter, cheese, milk and eggs, various vegetables and fruits (both fresh and canned), coffee, tea, fats and oils and sugar. That's just a sample of the 44 food items in-

cluded in the food budget, so you see they cover a wide range and include most of the food items that people ordinarily buy.

TOM: Yes, that sounds all right, but how does this CONFERENCE BOARD get the prices on these things?

P. D.: Here again the sampling method has to be used. Either their own investigators or persons in the various communities covered by their studies who cooperate in making these studies observe the stores that seem to be patronized by working men's families. Then they get the proprietors or managers of a number of these stores to agree to help in the study by providing once each month the prices being charged for a long list of items. So each month the storekeeper gets a form with all the items and grades of merchandise indicated on it, and in the blank space he fills in the prices he is charging on the date each month for which the information is collected. To make sure that he gives the price for the same item every month, the prices he reported the preceding month are shown on the form. He soon gets used to this job of reporting and, therefore, the figures he gives each month are for exactly the same things, making possible a true comparison. You see, it's just as if once a month your wife went shopping with a market basket on her arm and came back with exactly the same articles of food each time, and then compared what she had paid this month with what she paid last month and the month before that, and so on.

TOM: That's all right if the storekeepers give the real prices they charge, but how does anyone know that they do? Maybe they dope the figures they send in.

P. D.: Why should a storekeeper do that? It takes only a few minutes to give the right prices. It would be more work to think up phoney ones. Besides, the people at THE CONFERENCE BOARD look over each report and compare the prices with those shown by other stores in the same town. If other stores showed that stringbeans had gone down from 10 cents to 7 cents a pound and one store showed that they had gone up, they would write to that storekeeper and ask him if he hadn't made a mistake. He knows that THE CONFERENCE BOARD is not any government agency checking up on his prices but is only interested in learning the facts, whatever they may be. Besides, as a cooperator in the study, he knows that he will receive from THE CONFERENCE BOARD the results of the study when it is completed, and he wants to know how his price changes compare with those in other cities and this would be impossible if he doped the figures. No, there is no object in falsifying figures when he knows that his prices will be averaged in with those from other stores in his community and that all information he sends THE CONFERENCE BOARD is held strictly confidential and will be used only in the construction of the cost-of-living index number.



When THE CONFERENCE BOARD receives the food prices from the various cooperating stores in a community, it finds the average price for each item in the budget and figures the change, if any, from the last month. The composite, or combined change for all items in the food section of the budget, taking into account the quantities of each kind of food purchased as indicated by the standard budget, then becomes the change in food prices for that month in comparison with the preceding month. Doesn't that sound reasonable?

TOM: Sure, it sounds reasonable enough, but I still think the cost of living has gone up more than your 6%.

P. D.: Wait a minute, Tom. I'm not through yet. So far we've only talked about food prices and food is only one part of your cost of living, though, of course, a very important part, and one that you probably think about more than any other.

Clothing is another important item, especially to the women folks. THE CONFERENCE BOARD gets clothing prices in much the same way that it gets food prices. It gets stores that are patronized by working men's families to quote prices once a month that are being charged for a list of articles of clothing that every family has to buy. Again, the articles priced are those that the budget studies showed were the kinds of clothing actually purchased. In this case the Board doesn't specify the grade or quality of the article to be priced because this is almost impossible to do. It asks the cooperating store to give prices on the grade of each article that is commonly purchased by working men's families or by office workers earning about the same amount of income and to report on the same grade each month. This is much better than trying to specify a particular grade. It adjusts the pricing to the buying habits in each community and since the same grade of clothing is reported each month, you get an accurate indication of changes in clothing prices. And store people are asked not to give prices at special sales, but the prices at which the merchandise sells regularly.

Next we come to housing. Of course, if you own your own home, you're more interested in taxes and interest on the mortgage than you are in rentals, but most people still rent their apartments or houses and so have landlords to deal with. When it comes to rentals, THE CONFERENCE BOARD gets its figures from real estate boards, banks and other property managers, real estate agents and chambers of commerce. It doesn't confine its pricing to one kind of dwelling but covers all kinds that the budget study showed were occupied by working men's families—apartments from 2 rooms up to 5 rooms, and houses from 4 rooms to 6 rooms, some heated and some unheated. And the living quarters prices aren't those in the slums nor in the exclusive districts, but in the parts of town where working men live. So when you've taken the rentals for the various

sizes of apartments and houses that working men occupy and averaged the changes in rental prices since the preceding month, you have a pretty good picture of the housing situation in a community.

One thing about rental changes is apt to be confusing. Say Mr. A is occupying an apartment for which he has been paying \$40 a month. The landlord has just hiked the rental to \$45. That means that Mr. A's rental costs are increased  $12\frac{1}{2}\%$ . But in many other cases no increase has occurred just at this time, so when all the figures for this city are in, they may indicate an average increase in rentals of 2%. Mr. A says this figure is phoney because his increase has been  $12\frac{1}{2}\%$  and Mr. B may think it's phoney because his rental cost didn't increase at all that month. Both are apt to forget that the 2% represents the average change.

Then there is fuel and light. These items are combined because they are so similar and sometimes the same thing is used for both purposes, like electricity that some people use both for cooking and for lighting. Prices of various kinds of coal are secured from retail dealers. Electricity prices are taken from reports of the Federal Power Commission which show the rates of both privately and municipally owned light and power companies all over the United States, and gas prices are obtained from the American Gas Association.

TOM: Yes, but there are a lot of things we have to spend money for that don't fall under any of those headings.

P. D.: Exactly. And that's why, after these main groups of expenses—food, clothing, housing and fuel and light—have been covered, there is a fifth section of the budget that is called "Sundries." The budget studies showed that almost a third of the total budget goes for these odds and ends of expenditures, such as carfare, drugs and toilet articles, newspapers, movie tickets, house furnishings, tobacco, organization dues, and doctors' and dentists' fees.

TOM: Say, they cover the field pretty well at that.

P. D.: You'd be surprised how thoroughly they cover it. Don't think they've overlooked the fact that most families have cars nowadays, either, and so car prices, cost of licenses, gas and oil, and tires and tubes are covered. They even include the prices of haircuts. They have to go to a lot of different sources for prices of all the items that make up the sundries group, but they want to be sure that their budget really covers the cost of living the way working men live—not the way you figure they might live, but the way they actually do live.

Now comes the job of throwing all this information together to form an index number for the month.

TOM: That's one of the things that's bothering me. What in blazes is an index number?

P. D.: Well, Tom, I won't try to give any complete



definition of an index number because I'd get lost in the woods myself if I tried to. But for all practical purposes index numbers are a device for measuring the degree of change in something over an established base or standard.

TOM: That sounds fine, but I don't get it.

P. D.: (*laughing*) I know it sounds sort of highbrow, but it really isn't. If you're going to compare things, you have to have some standard of comparison, don't you? The thing you are comparing has got to be the same as or larger or smaller *than* something else. That something else is your standard of comparison. In index numbers that standard of comparison is called your base. That base is given a value of 100. If what you're comparing is 5% greater than the base, that fact is shown by an index number of 105. Or if, for example, it is 7% less than the base, the index number would be 93. So you see, an index number shows you at once how much greater or less the thing it represents is than the base—it's just a way of indicating upward or downward variations from the standard of comparison. You'll probably deny it, but you're really quoting what amounts to an index number all the time only you don't think of it that way.

TOM: For Pete's sake, when did I ever use an index number?

P. D.: When you're talking about batting averages in baseball. A few weeks ago there was a lot in the papers about Ted Williams of the Boston Red Sox being the first major leaguer for a number of years to end a season with a batting average over .400—if I remember rightly he closed with .406. Now what does that mean? It means that for every ten official times at bat he averaged slightly over four safe hits. Perfect performance or a safe hit every time at bat, which in this case is the base, would give a batting average of 1,000, so his figure of .406 tells you that he fell short by about 60% of attaining perfect performance. When you come right down to it, it's a sort of index number of batting performance, only the base is 1,000 instead of 100.

Now, when you come to the cost-of-living index number, the principle is basically the same. The statisticians find what the total cost of living was at the particular time that is to be used as the basis for comparison. In THE CONFERENCE BOARD cost-of-living series the base is the average cost of living for the year 1923. Then they give to the cost of living in this base period a value of 100, and the cost-of-living index number for each month indicates how much higher or lower living costs were in that month than at the base period of 1923. So, if in some month the index number is 107, that means that in that month living costs averaged 7% higher than in 1923, the base period, or if the index number is 95, it means that living costs are 5% lower

than at the base period. When there is a continuous series of index numbers we can compare the cost of living in a particular month, not only with what it was at the base period, but with what it was at any period during the series. For example, in September, 1941, THE CONFERENCE BOARD index number for the country as a whole was about 91.

TOM: Then that means that in September living costs were about 9% lower than in 1923. Is that right?

P. D.: That's exactly right.

TOM: But I don't care how living costs now compare with what they were in 1923. What I want to know is how much higher are they than, say, a year ago?

P. D.: All right. Of course, you can't keep shifting your base every couple of months or your index numbers would get all balled up and you couldn't make comparisons between different periods. But with a series of index numbers using a common base you can always figure changes between periods. Just wait a minute till I get the cost-of-living figures and a piece of paper. Now then. What I want to do really is to figure a new index number for September, 1941, using September, 1940 as the base. You see here the index number for September of this year is 90.8, so I divided that by the index number for September, 1940, which was 85.7 and I get 106. That means that the cost of living has increased 6% during the last year.

TOM: Yes, I can see that. I believe I'm getting it. You mean that I can compare the cost of living for any month in the series with what it was in any other month just by dividing the index number for the more recent month by the index number for the month with which comparison is made?

P. D.: That's it exactly.

TOM: Well now, wait a minute. How do they get the index number out of the prices?

P. D.: You remember there were five budget items: food, clothing, housing, fuel and light, and sundries. They find what was the percentage change in the prices for each of those items and then they combine these into a percentage change for all items combined, or, in other words, for the cost of living.

TOM: But that's not right. Changes in food prices are a damned sight more important to me than changes in the price of automobile tires. You can't treat all price changes alike.

P. D.: Of course you can't, and they don't. They found that on the basis of the typical budget, food purchases accounted for 33% of total expenditures. That means that an even third of the expenditures of a working man's family goes for food. So, in determining the per cent of change in the total cost of living from one



month to another, changes in food prices are given a weighting of 33, which means that they exert a third of the influence on the total change. Other weights given are 20 for housing, 12 for clothing, 5 for fuel and light, and 30 for all the sundries. All of these weights add up to 100. So, another way of saying it is that the change in total cost of living between two months is made up of 33% of changes in food prices, 20% of changes in housing costs, and so on. You see, food prices have more influence than any other item.

TOM: Well, I think I get the general idea, and it sounds reasonable enough, but I still believe it costs me more than 6% more to keep my family today than it did a year ago.

P. D.: And I think I know why you think so. It's because you are thinking in terms of food prices. Your wife is always telling you how much food prices have gone up and are still going up. And they have gone up, no doubt about it. They average 14% higher than a year ago. And so, without realizing it, you assume that other things are going up in proportion, but they aren't. At least, they haven't so far. Take housing, for instance. Rentals have gone up on the average 2.2%. And clothing prices are up only 5.2%, fuel and light, 4.8%, and sundries, 1.7%. These smaller increases partially offset the rather large increase in food prices, even when food has the heavy weighting of 33, so that the over-all rise in living costs has been only 6%. Now, honestly, when you say the cost of living has gone up a lot aren't you really thinking of food prices?

TOM: Yes, I guess I am, and you say they've gone up 14%. That sounds more like it. But I guess it's natural to think most about the prices that you're paying oftenest.

P. D.: Of course it is. It's the most natural thing in the world. Food prices are socking you right in the pocket-book every day in the year and your wife is telling you about them every few days so it makes it seem as if the cost of living was going up to beat the band. And it has gone up faster in the last few months than it did before for a long time back, but not nearly so fast as many people think. THE CONFERENCE BOARD and the Department of Labor haven't anything to gain by making the rise in living costs seem less than it is. They are merely recording what is happening all over the country in the way of retail price changes. And their figures are based not on what someone thinks or on somebody's hunch about what must have happened or is going to happen, but on hard facts about what has really happened.

TOM: But prices change differently in different places don't they?

P. D.: Yes, to a certain extent, though there often isn't as much difference as some people think.

TOM: But if there are differences, how do we know that a cost-of-living index number for the whole country will show just what is going on here in town?

P. D.: We don't. Of course, the chances are that conditions here are more or less the same as in the country as a whole, but our price trends may differ somewhat from those in other places. And even if they don't we would feel better satisfied to use cost-of-living figures based only on the prices here that we are paying. THE CONFERENCE BOARD recognized this need, particularly in an abnormal period such as is bound to exist during a world war, and so two years ago, in addition to its national cost-of-living index series, it organized special cost-of-living studies in cities all over the country. Of course, it's impossible to cover every community, but the Board now reports each month changes in living costs in 60 separate cities. So now the man in Boston or Baltimore or Atlanta or Cincinnati or Dallas or Los Angeles or Seattle and in 53 other cities can find just how the living costs in his city are changing.

TOM: Well, Mr. Blake, I appreciate your going over all this with me. It makes a lot more sense than it did before. But I'm not too sure that any cost-of-living figures are going to show me exactly how my living costs change.

P. D.: Nobody pretends that they will. A cost-of-living study is based on an average budget. Changes are computed from average prices. Any average is made up of parts that are greater and parts that are less, or parts that are higher and lower. Your cost of living may be rising a little faster or a little slower than the average because of the particular things you buy, but if you kept an accurate record of what you're paying for necessities now and had an accurate record of what you spent a year ago, I'll bet you would find that your experience isn't much different from the average. Of course, if you buy a lot of expensive luxuries because you're earning more now, that's your affair, but you can't blame it on the cost of living if your money is all used up.

Anyhow, that, in general, is the way cost-of-living figures are computed. They give us the best record we have of how living costs change from month to month. They aren't perfect, any more than any other sampling can produce a picture that will fit exactly every individual case, but they do show pretty accurately how the cost of providing the necessities of life for a family moves up and down with changing market conditions.

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## Automatic Cost-of-Living Adjustment of Wages

THE RISE in the cost of living of wage earners has been accelerated in recent months. Since August, 1939, the month prior to the outbreak of the European war, living costs have increased 9.4%. Much of the increase has occurred during recent months, the rise in a single month from September to October, 1941 amounting to 1.2%. This upward trend in living costs has figured prominently in demands for further wage increases, notwithstanding the fact that previous increases in wages had brought the earnings of wage earners to the highest point ever recorded by THE CONFERENCE BOARD. From August, 1939, to September, 1941, hourly earnings rose 17.2% while weekly earnings increased 28.6% because of a longer work week and overtime pay. Wages have consequently more than kept pace with increased living costs. Real wages (i.e., weekly earnings adjusted for changes in the cost of living) are 19.0% higher than in August, 1939 and 35.5% higher than in 1929.

Most of the wage increases have been in the form of straight rate increases. In recent months, however, the managements of many companies have been looking for some method of wage adjustment which would provide for a more orderly adjustment of wages to changing conditions. Some managements have hesitated to grant horizontal wage increases because they would unbalance basic wage structures which had been scientifically determined by job evaluation and classification. Others are of the opinion that if it is possible to devise a satisfactory supplementary payment which the workers understand, there will be less dissatisfaction when an adjustment downward becomes necessary.

In creating supplementary compensation plans, employees in some cases have been given arbitrary bonuses which bear some relationship to rises in living costs but are not tied to a cost-of-living index. These bonuses are given with the understanding that they will be discontinued when the present emergency is over. Other companies have announced plans under which employees' extra compensation is automatically adjusted either upward or downward, according to the fluctuations of a designated cost-of-living index. Plans of this character are discussed in this article.

### EXTENT OF ADJUSTMENT

The use of a cost-of-living adjustment in wages is not widespread. In an investigation of wage increases made by THE CONFERENCE BOARD in August, 1941, only thirteen companies out of 316 adjusted wages automatically according to changes in a cost-of-living index. A current survey of union agreements reveals that in this sample group of contracts only four out of a total

of 130 agreements contain clauses providing for such adjustments. The present survey includes twenty-eight bona fide plans of this character. More than twenty-eight companies are involved, for some of these adjustments apply to a number of concerns.

### MOTIVES FOR ADOPTING BONUSES

In establishing automatic cost-of-living adjustment plans, employers hope that demands for wage increases will be materially reduced, if not entirely eliminated, thus avoiding continual wage negotiations. Employers favor such plans also because they provide for increases according to definite schedules rather than on a hit or miss basis. Some employers have adopted supplementary compensation plans simply for the purpose of protecting employees against higher living costs.

### ORGANIZED LABOR'S ATTITUDE

In the beginning, union leaders were opposed to automatic wage adjustments based on the cost of living, because they believed that labor should strive to improve its standard of living rather than merely accept a continuance of its present standard. Of late, however, there seems to have been a change of attitude. Inasmuch as union contracts usually cover a one-year period, the inclusion of a cost-of-living adjustment at least guards against loss of purchasing power in the event of rapidly rising living costs. Nineteen out of the twenty-eight cost-of-living adjustment plans analyzed are incorporated in union agreements.

A number of union agreements provide that in the event of war, or if the inflationary movement becomes more pronounced, or if the cost-of-living index rises above a certain point, the wage provisions may be reopened for negotiation. These do not provide for automatic adjustment of wages according to changes in a cost-of-living index and are accordingly excluded from the present survey.

### ANALYSIS OF ADJUSTMENT PLANS

The following analysis gives the outstanding features of the plans received which provide for the automatic adjustment of wages in accordance with a cost-of-living index.

#### *Method of Adjustment*

The principle underlying this method of wage adjustment is that for each specified change in the cost-of-living index, a corresponding increase will be made in wages. Typical clauses read as follows:

Provided there is a five-point change in the cost of living for the Cleveland Area as indicated by the United



States Bureau of Labor for all items, such change shall be automatically reflected in the wage rates of our employees.

Whenever the cost-of-living index registers a change equal to or exceeding three (3) points, a corresponding percentage in wages will be granted by the company. The NATIONAL INDUSTRIAL CONFERENCE BOARD figures issued monthly will be used as a basis.

When the cost-of-living index compiled by the United States Bureau of Labor Statistics increases or decreases sufficiently, the wage rates provided in this Agreement shall be increased or decreased as stipulated below:

The index figure of 105.6 shown for the City of Minneapolis as of June 17, 1941, shall be used as a base. Should the index increase or decrease five (5) or more full points from this figure . . . . . a corresponding adjustment will be made in all wages covered by this Agreement.

The following tabulation shows that a cost-of-living adjustment is most frequently made when the index has advanced, or declined, five full points (or per cent), at which time a corresponding change is made in compensation:

<i>Amount of Change in Cost-of-Living Index Required before Adjustment Made</i>	<i>Number of Plans</i>
1 point . . . . .	5
1 per cent . . . . .	1
2 per cent . . . . .	1
3 points . . . . .	2
5 points . . . . .	11
5 per cent . . . . .	7
10 per cent . . . . .	1
	28

In order not to commit the company to an unlimited rise in compensation due to the inclusion of the cost-of-living factor, a number of companies have provided that when the index has risen a specified amount, as for example 10 points, the plan may be reopened. Several stipulate that the maximum cost-of-living adjustment that may be paid is 10% of income.

Although the plans provide for an adjustment downward as well as upward, most specify that wages shall not be reduced below the schedule in force at the time that the plan was put into force.

#### *Cost-of-Living Indexes*

Two cost-of-living indexes are employed in adjusting wages. The majority of the plans studied use the index of the Bureau of Labor Statistics, United States Department of Labor, because these companies believe that the workers will more readily accept government figures. If possible, it is considered a wise policy to use the index for the city in which the establishment is located, or the nearest available. Wage earners are often dissatisfied with the index of the country as a whole because they believe that conditions in their particular community are different.

The United States Bureau of Labor Statistics publishes monthly indexes for twenty cities, and an average

index for these cities. It also compiles indexes for fourteen other cities, but these are only published quarterly, so that adjustments in these cities will be delayed some time after the changes in cost of living have actually occurred.

#### *Intervals at Which Adjustment Is Made*

About two-thirds of the plans studied also provide that these changes may be made only at specified intervals. This is particularly important in companies which provide for an adjustment every time the index fluctuates a single point. If no limitations are put upon the frequency at which adjustments are made, the cost-of-living factor may change every month in times like the present. Consequently, in all plans included which provide for a 1% increase in compensation for each point rise in the index, the adjustment is made at quarterly intervals only. Examples of this provision follow:

The payment of extra compensation under this plan shall begin as of May 26, 1941 and shall be subject to revision March 15, June 15, September 15 and December 15 of each year.

Defense Emergency Compensation will be paid each month at rates based upon changes occurring in the cost of living in Washington and will be revised every three months . . . . . The index number for June 15 will determine the rates . . . . . to be paid for July, August and September . . . . . and similarly each succeeding quarterly index figure will be the determining factor for the subsequent months.

A number of plans specify that the adjustments may be made only at six-month intervals. The tentative shipbuilding and repair stabilization agreements in the Great Lakes, Atlantic Coast, Gulf, and Pacific Coast Zones all make some such provision as the following:

A. Except as provided by Clause B below, the zone standards established herein shall continue in force and effect for a period of two years from date upon which these zone standards become effective and may be continued in force thereafter by mutual agreement.

B. Wage scales shall be adjusted during the life of these standards to provide for changes in the cost of living as follows:

(1) *Base Level.* The "base level" from which all calculations involving changes in the cost of living and corresponding wage-scale adjustments shall be the average cost of living in the United States on the 15th day of the sixth month from the effective date of this agreement as shown by the U. S. Bureau of Labor Statistics index . . . . . in large cities.

(2) *Method of Adjustment.* At the end of one year from the effective date of these standards, if the average cost of living as above defined shall have changed from the "base level" . . . . . by 5% or more, a corresponding adjustment shall be made in wage scales, effective as of one year from effective date . . . . .

(3) If no adjustment results from the operation of sub-paragraph (2) above by reason of insufficient



change from the "base level," adjustment shall be effected at the end of any succeeding month when the cumulative change in the cost of living becomes 5% or more from the "base level" above defined.

Thereafter, wages shall be correspondingly adjusted every six months following the initial wage adjustment if the cost-of-living index has varied 5% or more from its level at the time of the last preceding adjustment. If the variation within any such six-month period after the initial wage adjustment be less than 5%, then no wage adjustment shall be made until the end of the next six-months period.<sup>1</sup>

#### *Base on Which Adjustment Is Made*

The majority of the plans studied (57%) provide that the adjustment shall be made on the workers' earnings, and the cost-of-living adjustment is paid as part of the regular compensation. Eleven plans provide for a cost-of-living bonus which is in some way distinguished from the regular compensation. In some instances, the bonus is paid by separate check, while in others it is shown as a separate item on the pay check or pay envelope.

#### *Employees Eligible*

Nineteen of the wage-adjustment plans (64%) have been incorporated in union agreements and accordingly these provisions apply primarily to union members covered by the agreement. In some instances, these plans have been extended informally to include all employees.

In the eight companies which have devised cost-of-living adjustment plans independent of any union, some limitations have been imposed upon eligibility. A rising cost of living inflicts greater hardship upon the lower-paid employees than upon the higher paid and, therefore, most of these plans restrict participation to employees earning less than a specified amount, ranging from \$40 per week to \$300 per month, or to those below the rank of executives or department heads.

#### EVALUATION OF RESULTS

Most of these cost-of-living plans have been in existence for a comparatively short time, so that there has not been sufficient experience properly to appraise their value in meeting an emergency situation. It is significant, however, that two plans which had been in existence longer than any others have been discontinued at this time when interest in this method of compensation is greatest.

One argument in favor of this method of compensation is that the adjustment in earnings is made systematically according to a plan which the wage earner can understand. It is hoped that if downward adjustments are made, the workers will accept them in a

<sup>1</sup>Tentative agreement on Great Lakes Zone Standards, Great Lakes Shipbuilding and Repair Stabilization Conference, Chicago, Illinois, July 11, 1941.

proper spirit. It has been a common experience, however, that any extra compensation which is paid regularly soon becomes identified in the worker's mind with his regular compensation. When it is reduced or eliminated, the reaction of the wage earner is often much the same as though his basic rate had been reduced.

From the employer's point of view, the chief advantage derived from the cost-of-living adjustment plan is that the problem of wage increases can be handled in an orderly fashion in a period of emergency. Employers included in this survey have reported that demands for additional wage increases have been materially reduced, thus saving time which otherwise might have been spent in negotiations. The relatively short time that most of these plans have been in effect, however, leaves in doubt the permanency of their solution of the problem of compensation adjustment. Employers have found it necessary to make individual adjustments for certain skilled workers who are in great demand. By tying wage increases to the cost of living, it has nevertheless been possible, these employers say, to anticipate to some extent when the increases will be due.

Some employers think that recent increases based on rises in living costs are less than would have been necessary if there had been no definite plan, because the workers customarily ask for straight 5% or 10% increases.

#### *Attitude of Workers*

The attitude of workers covered by these cost-of-living wage adjustment plans has been favorable, largely because the adjustments have so far worked in favor of the workers. A number of employers are wondering what their attitude will be when the process is reversed and adjustments are made downward.

Several instances were reported in which the workers were convinced that living costs had increased more than was indicated by the cost-of-living indexes. Their opinions were largely influenced by the rises in food prices, which have increased more than other items in the budget. In the cost-of-living index food prices are weighted only one-third, and the index for the cost of living as a whole has increased more slowly than the index of food prices. It is difficult to explain to a wage earner how a cost-of-living index operates, so that it is often hard to convince him that cost-of-living figures accurately measure changes in living costs.

#### *Other Criticisms of Plan*

Several executives were of the opinion that the operation of a cost-of-living wage-adjustment plan might actually "accelerate the spiraling of the cost of living." With the rapid changes occurring in the cost of living during the last few months, this extra charge on the business may easily become burdensome. Also, several others with such plans were of the opinion that their



increases seemed to precede those of other companies. One executive felt that in their plan this one cost-of-living factor was receiving too much emphasis, and that such a plan did not take enough other factors into consideration.

#### CANADIAN COST-OF-LIVING ADJUSTMENT

In Canada, a cost-of-living adjustment of wages has been made compulsory for all employers with fifty or more employees, except in the building trades where the limit is ten employees. On October 24, 1941, an Order in Council revoked previous provisions governing cost-of-living adjustments. Under the present order, basic wages may not be increased except on written permission of the National War Labour Board.

The employer, with the exceptions noted above, is required to pay a wartime cost-of-living bonus of \$.25 per week for each one-point rise in the index to all adult male employees and all others earning \$25 or more per week. Male employees under twenty-one and female

workers earning less than \$25 per week receive extra compensation of 1% of earnings for each one-point change in living costs. Employees above the rank of foremen are not covered by the order. The adjustments are based on the cost-of-living index prepared by the Dominion Bureau of Statistics. The changes in the index are measured in points to the nearest one-tenth of one point, after the index has been adjusted to the base of 100.0 for August, 1939. The adjustments are made quarterly. The bonus applies only to basic wage rates and does not include overtime. Adjustments are to be made both upward and downward.

An employer may apply to the National Board for exemption from these bonus payments. If it is clearly demonstrated that he is financially unable to pay them, the National Board may authorize full or partial exemption.<sup>1</sup>

F. BEATRICE BROWER  
*Management Research Division*

<sup>1</sup>Order in Council No. 8253, October 27, 1941.

## Notes on Personnel Administration

### Stating An Industrial Relations Policy

The need for complete understanding by employees of their company's policies on industrial relations has never been more important than at the present time. Granting the fact that policies of any organization do not remain static, it is only by reducing them to writing from time to time that they become clear—to management as well as to workers.

For companies now interested in preparing or revising a statement of policy, attention is directed to one recently issued for employees of The Federal Home Loan Bank Board, the Federal Savings and Loan Insurance Corporation, and the Home Owners' Loan Corporation. The statement, entitled "Employee Relations Policies and Procedures" is contained in a 12-page booklet, divided into two parts. Part I is devoted to the listing of the following policies, each of which is briefly explained:

1. To maintain high standards of selection as a basis for employment
2. To accord all applicants for employment careful consideration
3. To fill vacancies whenever possible by the promotion or transfer of present employees
4. To compensate employees according to the principle of "equal pay for equal work"
5. To maintain files that adequately represent the experience and qualifications of each employee

6. To evaluate the performance of each employee periodically by the use of service ratings.

7. To afford an opportunity for the discussion of service ratings with employees

8. To follow, in so far as the law permits, the standards, practices, and procedures established by the Civil Service Commission

9. To conform to established hours of work

10. To maintain the agencies as a non-partisan and non-political organization

11. To encourage wise use of leave privileges

12. To safeguard health

13. To require employees to pay their just debts

14. To cooperate with employee groups in welfare and recreational activities

15. To require all employees to respect the confidence placed in them

16. To require all employee-contact with the public to be courteous and considerate

17. To provide training for employees and to encourage self-improvement

18. To consider the development of employees a major responsibility of administrative officers and supervisors

(Continued on page 144)



## Wage-Increase Announcements, October 1 to October 31

Source: Daily Press and Various Periodicals

Company	Location	Amount of Increase	Number Affected	Remarks
American Cyanamid Company (Calco Chemical Division).....	Bound Brook, N. J.	10¢/hr. 7¢/hr.	....	To production workers To maintenance workers
American Merchant Marine Institute.....	.....	\$10/mo.	....	To all unlicensed employees of marine shipping companies. New basic rates include the following: Ordinary seaman, \$65/mo.; fireman (oil-burning), \$82.50/mo.; fireman (coal-burning), \$85.00/mo.; storekeeper, \$92.50/mo.; chief steward (freighter) \$180/mo.
American Sugar Refinery Company.....	Baltimore, Md.	5¢/hr. 12%	850	To straight-time workers
Armour and Company.....	Spokane, Wash.	10¢/hr. 7½¢/hr.	400	To pieceworkers To men To women New minimum rates: men, 73¢/hr.; women, 61½¢/hr.
Autocar Company.....	Ardmore, Pa.	7¢/hr.	1,700	
Automotive Rubber Company.....	Detroit, Mich.	10¢/hr.	100	
Bailey, Banks and Biddle Company.....	Philadelphia, Pa.	\$2 to \$5/wk.	140	To salesmen, clerks, office help, engravers, watchmakers, polishers and maintenance men
Barbizon Corporation.....	Paterson, N. J.	10% \$2/wk.	1,000	To piece workers To straight-time workers
Buffalo Merchandise Warehouses, Inc.....	Buffalo, N. Y.	15¢/hr.	40	New rates: warehouse workers, 70¢/hr.; stevedores, 80¢/hr.
Building and Construction Trades Council.....	Norfolk, Va.	25¢/hr.	700	To electricians. New rate is \$1.25/hr.
Childs Restaurants.....	New York, N. Y.	\$2/wk.	3,200	Affects 49 restaurants
Consolidated Aircraft Corporation.....	San Diego, Cal.	13¢/hr.	28,000	To experienced workers
Curtiss-Wright Corporation.....	St. Louis, Mo.	9-2/10¢/hr. avg.	4,100	To production and maintenance workers. Starting rate for unskilled workers raised from 50¢ to 55¢/hr. Rate at end of three-month probationary period 70¢/hr.
Diesel-Nemmer-Gilbert Corporation.....	Detroit, Mich.; Lima, Findlay and St. Marys, Ohio	15% to 20%	2,200	
Donahoes, Inc.....	Pittsburgh, Pa.	\$2 to \$5/wk.	500	Applies to a chain of 35 retail food stores in Allegheny County. New weekly rates are: counter men, \$31; cellarmen, \$40 to \$45; clerks, \$18 to \$28
Erwin Mills.....	6 plants: North Carolina	3¢/hr. avg.	5,800	
Everett Coke Works.....	Everett, Mass.	\$1/day	950	
Excel Foundry & Machine Company.....	Fall River, Mass.	2½¢/hr.	300	To hourly workers
Foote Pierson Company.....	Newark, N. J.	10¢/hr.	400	
Ford Motor Company.....	Buffalo, N. Y.	20¢/hr. avg.	1,250	New minimum starting rate is 85¢/hr.
Georgia State Nurses Association.....	Atlanta, Ga.	50¢/day	476	New rate effective Nov. 1 is \$5.50 per 8-hour day in place of \$5.00 per 12-hour day
General Cable Corporation.....	Rome, N. Y.	6¢/hr.	2,300	
Goodyear Tire & Rubber Company.....	Akron, Ohio; Cumberland, Md.; and Los Angeles, Cal.	.....	....	Minimum rates increased as follows: men, from 75¢ to 85¢/hr.; women, from 57¢ to 65¢/hr. Hiring rates increased as follows: men, from 55¢ to 70¢/hr.; women, from 45¢ to 55¢/hr.
Great Lakes Box Company.....	Cleveland, Ohio	5¢/hr.	290	
Habirshaw Wire & Cable Company.....	Yonkers, N. Y.	5¢/hr.	1,200	
Hanscom Baking Corporation.....	New York, N. Y.	\$1/wk.	300	To bakers. Hours reduced from 48 to 44 per wk.
Hunter Manufacturing Company.....	Bristol, Pa.	15¢/hr.	....	To all employees. Minimum hourly wage raised from 50¢ to 70¢/hr. An additional flat increase of 5¢/hr. is to become effective in three months
Lawyers Title Corporation.....	New York, N. Y.	5%	....	To employees earning up to \$3,000 per year
Merrimac Company.....	Lowell, Mass.	10% to 13%	2,100	
Michigan Alkali Company.....	Wyandotte, Mich.	8¢ to 20¢/hr.	1,700	
Midland Steel Products Company.....	Cleveland, Ohio	8¢ to 13¢/hr.	1,000	Hiring rate raised from 68¢ to 81¢/hr. New minimum wage after 30 days' service is 86¢/hr.
Naumkeag Steam Cotton Company.....	Salem and Peabody, Mass.	10¢/hr. avg.	3,000	



## WAGE-INCREASE ANNOUNCEMENTS, OCTOBER 1 TO OCTOBER 31—Continued

Company	Location	Amount of Increase	Number Affected	Remarks
Newport Naval Torpedo Station.....	Newport, R. I.	6¢ to 16¢/hr.	....	New rates include the following: divers, \$2.22/hr.; toolmakers, \$1.18/hr.; automotive mechanics, \$1.06/hr.; foundry chippers, 86¢/hr.; common laborers, 72¢/hr.
New York Air Brake Company.....	Watertown, N. Y.	21% 26%	1,500	Day shift
Olean Glass Company.....	Olean, N. Y.	8¢/hr. 6¢/hr.	400	Night shift To men To women
Oneida, Ltd.....	Oneida, N. Y.	7½%	3,000	Affects all workers on hourly basis. Retroactive to Sept. 1
Pawtuxet Valley Dyeing Company.....	West Warwick, R. I.	10%	100	To employees earning up to \$2,500 per yr.
Pittsburgh Hotels Association.....	Pittsburgh, Pa.	8% to 25%	2,400	Supplements 5% increase granted in May
H. K. Porter Company, Inc.....	Pittsburgh, Pa.	5¢/hr.	475	To all employees
Puget Sound Meat Packers Association.....	Tacoma, Wash.	10¢/hr. 7½¢/hr.	700	To service workers To men To women
Radio, Music and Home Appliance Dealers Association.....	Seattle, Wash.	16⅔%	....	Contract provides automatic reopening of wage clauses if living-cost index of Dept. of Labor increases 5%
Rock Island Arsenal.....	Davenport, Iowa	15%	....	To experienced radio, domestic refrigeration and electrical appliance servicemen. New rates \$42 per wk. (44 hr. wk.)
Rosedale Knitting Mills.....	Reading, Pa.	10%	2,100	To apprentices.
Scott and Williams Company.....	Laconia, N. H.	10%	1,400	To precision grinders. Old rate: \$6.48 to \$8.08/day. New rate: \$6.88 to \$9.12/day
Southwestern Bell Telephone Company.....	Mo., Kan., Ark., Okla., Texas and small part of Ill.	\$2/wk.	14,000	To telephone operators. Maximum rate in Dallas raised to \$25
Standard Oil Company of California.....	California	\$10.25/mo.	11,000	To all employees except executives. Retroactive to Sept. 1
Thompson Products, Inc.....	Cleveland, Ohio	11¢/hr. 9¢/hr.	6,300	To men To women
Transcontinental and Western Air, Inc.....	Entire system	\$10/mo.	175	To all airline hostesses except beginners. Beginners rate raised from \$110 to \$115/mo.
Union Bag and Paper Corporation.....	Glens Falls, N. Y.	2½¢/hr. upward	800	Common laborers' wages raised from 49¢/hr. to 55¢/hr.
*U. S. Leather Company.....	.....	.....	....	Increase reported in the October <i>Management Record</i> under the name of U. S. Leather Co. should have been reported under the names of two subsidiaries, Elk Tanning Co. and Union Tanning Co. Increase not retroactive as reported
U. S. Works Projects Administration.....	.....	8½% 10%	854,895	To employees earning under \$25/wk.
Will Horwitz Theaters.....	Houston, Texas	7½% 5%	180	To employees earning from \$25 to \$50/wk. To employees earning more than \$50/wk.
City of Cincinnati.....	Ohio	6¢/hr.	600	To city laborers. Raises common labor rate from 54¢ to 60¢/hr.
25 Baking Companies.....	Pittsburgh, Pa.	5%	3,000	To hourly and salaried workers
30 Baking Companies.....	Philadelphia, Pa.	\$2.50 to \$8/wk.	2,000	To bakery wagon drivers. New basic weekly rate is \$36. A commission of 1% to wholesale drivers and 1½% to retail drivers is added to basic pay
35 Clothing and Tailoring Companies.....	Cleveland, Ohio	10% to 25%	400	New rates as follows. Male: tailors, \$1.01¾/hr. Female: tailors, 75¢/hr. Sewing machine operators, 71½¢/hr.; finishers, 66¢/hr.
17 Cotton Dress and Lingerie Manufacturers..	Seattle, Wash.	5%	700	To women dressmakers
100 Furniture Moving Firms.....	Milwaukee, Wis.	10¢/hr.	350	Retroactive to Sept. 1
124 Milk Companies.....	New York Metropolitan Area	\$2.50/wk.	17,000	Affects route drivers, utility men, bottle washers, pasteurizers, porters, stable men, mechanics and others. New basic rates as follows: Route drivers (retail), \$45.50/wk.; route drivers (wholesale), \$49.50/wk.; utility men, \$40/wk. Supplements increase of \$2/wk. granted in 1939
500 Trucking Companies.....	Rhode Island, Mass., and Conn.	5¢/hr.	Several Thous'd	To truck drivers
Window Washing Companies.....	White Plains, N. Y.	\$3/wk.	12	New base pay rate is \$45/wk. This rate will be raised to \$46 April 1, 1942 and \$47 Oct. 1, 1942



**Notes on Personnel Administration** (Continued from page 141)

19. To insist that all who are charged with the responsibility of directing the work of others be tolerant, patient, tactful, and fair

20. To expect all employees to cooperate with their supervisors and be considerate of their fellow workers

21. To consider the discharge of employees "for cause" to be a serious responsibility

22. To review the records of all employees in comparable groups before curtailments of staff are made

23. To give employees fifteen days' advance notice of termination

24. To be considerate of and helpful to employees who are to be terminated

25. To allow freedom of employee organization

26. To maintain the open-door policy

Part II of the booklet discusses "Suggestions, Informal Discussions, and Appeals" under the following headings:

Mutual Understanding

Employee Right to Informal Discussion

Employee Right to Make Appeal

Appeal and Review Committee

Central Appeal and Review Committee

Appeal to the Board

Employee's Right to go Directly to the

Personnel Department

In preparing this statement, a tentative draft was made by the Personnel Department after conferences with top management and after having received recommendations from a Personnel Committee. After the

Board of Directors had approved the tentative statement, it was distributed for further discussion in all offices of the organization.

Separate meetings were held in each of the ten Regional Offices and in the various departments in the Home Office with first-line, second-line, and third-line supervisors, as well as with groups of non-supervisory personnel elected to represent their fellow employees. After each member of the four groups had had an opportunity to study and discuss the statement, he filled out and returned an unsigned questionnaire which provided space for his comments and criticisms. The statement of Policies and Procedures was then redrawn in the light of these suggestions and criticisms and was approved by the Board of Directors in final form for distribution to all employees.<sup>1</sup>

### Inspection on Incentive

Final inspection of steel balls at the Hoover Ball and Bearing Company, Ann Arbor, Michigan, has been on a piece-rate basis of wage payment for ten years. The result has been apparent in better quality of inspection, higher output per inspector and increased earnings by the inspectors.

Piece rates are established for each size and grade of ball. Twenty women are required at present to do this job and two re-inspectors on straight-time payment make a sample check inspection of every 50-pound batch completed by the twenty inspectors.

<sup>1</sup>A copy of this statement may be secured from the Personnel Department, Home Loan Bank Board, Washington, D. C. while the limited supply lasts.

## Questions and Answers

### Equalizing Ratings

**Question:** In summarizing the results of our semi-annual employee ratings by departments, we have noticed that certain foremen have a tendency to be liberal with everybody they rate; that is, there is a concentration of ratings at the upper end of the scale. What is a good procedure to follow in order to correct this tendency?

**Answer:** This is often referred to as a "halo rating," which means that a given foreman may feel that his employees are all pretty good. Psychologists claim that the distribution of ratings for all the employees in a given department or plant should approach what is statistically known as a "normal distribution." If this

theory is accepted as a guiding rule, then a concentration at the upper end of the rating scale is obviously in error. The distribution of ratings in each department of a plant can be charted and shown to all the foremen who have done the rating. After comparison with other department ratings, some foreman may request the privilege of re-rating his employees.

### Cost of Physical Examinations

**Question:** Will the company or the applicant pay the cost of physical examinations for new truck drivers under the Interstate Commerce Commission ruling affecting private motor carriers?

**Answer:** The I.C.C. ruling does not cover this



point. A survey made in Metropolitan New York indicates that companies now requiring physical examinations under their own medical supervision will continue their past policy, requiring the doctor to file an I.C.C. form in addition to company forms. Firms without a medical policy at present are still undecided about their future policy. In one or two union contracts the responsibility for physical examinations and their cost is placed on the employer.

Under this ruling it is probable that unions, in negotiating for contract renewals, will demand the inclusion of a provision requiring the company to assume the entire cost of initial and periodic examinations.

### Replacing Selectees

**Question:** What steps are companies taking to prepare their office organization for the possibility that many of their young men in advanced, complex or key

positions will be called for compulsory military training service?

**Answer:** Some companies with large office staffs are already preparing themselves for the possibility of temporarily losing parts of their male personnel. By analyzing the functions of men between the ages of 21 and 31 years, these companies have made plans to divide the complex functions of one position into simple divisions—two, three or four—and train a less advanced employee for each division of the work. In some instances the special analyses are complete and training has begun with present employees to prepare them for these subdivisions when the necessity arises.

It is the intention of these companies to hire new juniors to fill the gaps created by this shifting of personnel. Normal turnover during a period of a year is expected to assimilate these new people into the organization on a permanent basis.

## Chronology of Events Affecting Labor Relations October 11 to November 10

### October

- 11 *Draftee Sues for Former Job*—Draftee recently released from service sues company to recapture former job in first known case of this kind. He alleges that his job was given back to him when he returned from service in Navy, but that shortly thereafter he was discharged on a "vague pretext."
  - 12 *More Women Employed for Defense*—Federal Security Agency reports expansion in employment of women in production work, and experimentation with women in jobs formerly held by men. Particularly observable in aircraft industry.
  - 13 *Railroads Offer New Pay Plan*—Railroads submit to special fact-finding board proposal for adjusting compensation of railroad employees during the emergency according to changes in living costs and the gross revenues of the roads. Plan not acceptable to employees' unions.
  - 14 *Farm Wages at Peak*—Department of Agriculture reports farm wage rates highest since 1930. On October 1 these rates averaged 165% of the 1910-14 level. Cause for increase believed to be loss of workers to the Army and defense industries.
- Ford Contract Upset*—NLRB holds that Ford Motor Company had no right to make a closed-shop contract with UAW-CIO covering all its employees, since this union had been certified as bargaining agent only for employees in River Rouge and Lincoln plants. Controversy due to claim of some plants that UAW-AFL was their choice of bargaining agent.

*Pickets Required to Have Licenses*—City Council of Shaker Heights, suburb of Cleveland, adopts ordinance

### October

- providing that any paid, non-employed picket must obtain a license at a \$10 daily fee.
- 18 *Railroad Board Offers Arbitration*—Special fact-finding board mediating railroad wage dispute offers to arbitrate matters in dispute provided both parties agreed to accept the board's recommendations as a full and complete settlement.
  - Life Insurance for Draftees*—National Service Insurance Section reports having issued 610,000 policies to men in military service, with an aggregate coverage of more than \$2,000,000,000.
  - Union Suspends Wildcat Strikers*—District Director for SWOC suspends from union membership and office nine ringleaders of recent wildcat strike at Great Lakes Steel Corporation.
  - 19 *Draftees to be Classified for Jobs*—Selective Service Headquarters reports plan for classifying skilled workers now being discharged from the Army so that they may be speedily reabsorbed into industrial occupations.
  - 20 *Rail Unions Refuse Arbitration*—The five operating railroad brotherhoods reject offer of fact-finding board to act as arbitrator of issues in dispute. This action concurred in by the fourteen non-operating unions.
  - 22 *Higher Social Security Tax Planned*—Treasury Department lets it be known that it is considering requesting Congress to raise employees' share of social security taxes from 1% to 5%. An increase from 1% to 2% of employers' payroll tax for old-age pension, plus the 3% for unemployment insurance, would make employers pay similar amount.

(Continued on page 148)



## A Glance at Labor Statistics

Average hourly earnings of all wage earners in twenty-five manufacturing industries increased from 82.8¢ in August to 84.4¢ in September, 1941. In August, 1940 the corresponding figure was 74.2¢, indicating a 13.7% advance in 12 months.

Average weekly earnings of all wage earners increased from \$34.10 in August to \$35.10 in September, an increase of 21.1% over the figure of \$28.99 for August, 1940.

Employment rose from an index of 123.0 in August

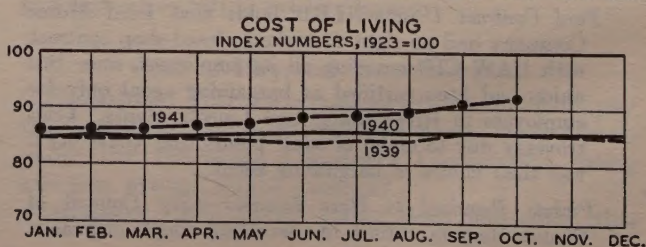
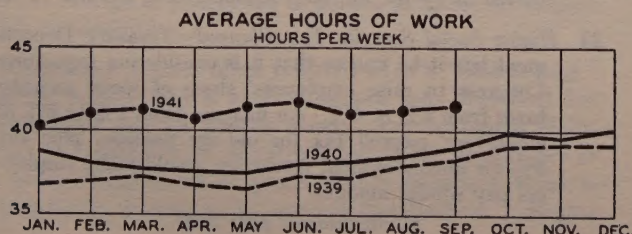
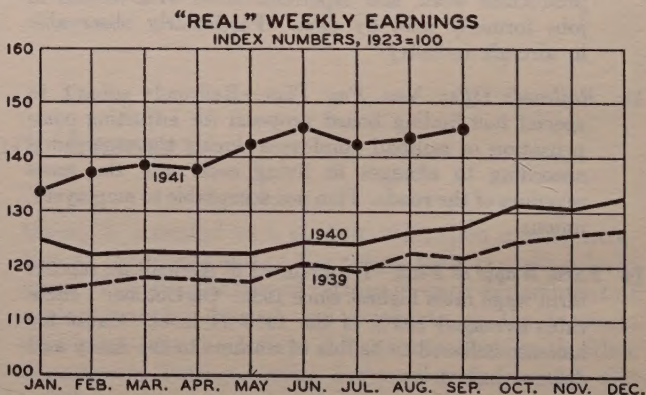
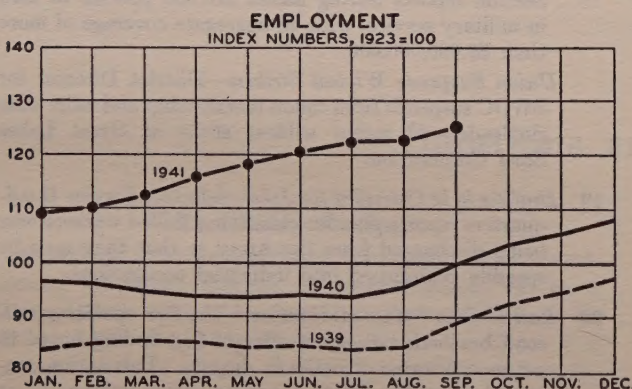
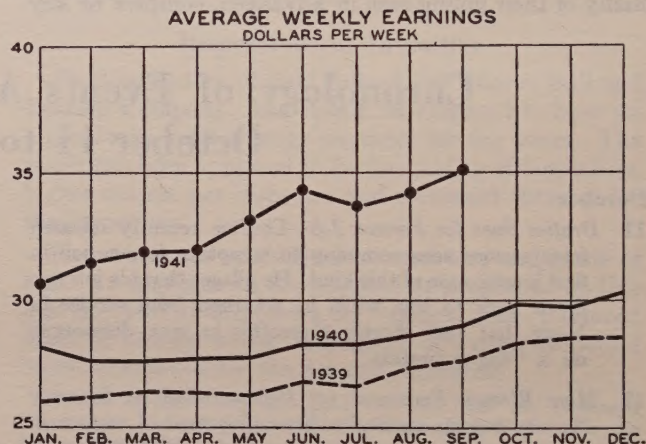
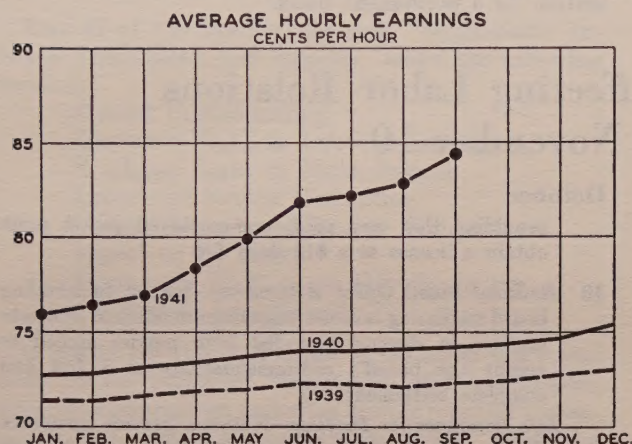
to 125.3 in September. This constitutes an increase of 25.6% in employment since August, 1940.

Average hours of work per week advanced from 41.2 in August to 41.6 in September, as compared with 39.0 in August, 1940.

The cost of living rose from 90.8 in September to 91.9 in October, an increase of 7.5% since October, 1940. The purchasing power of the dollar on the basis of the cost of living stood at \$1.088 in October, 1941 as compared with \$1.00 in 1923.

### LABOR TRENDS IN TWENTY-FIVE MANUFACTURING INDUSTRIES AND THE COST OF LIVING

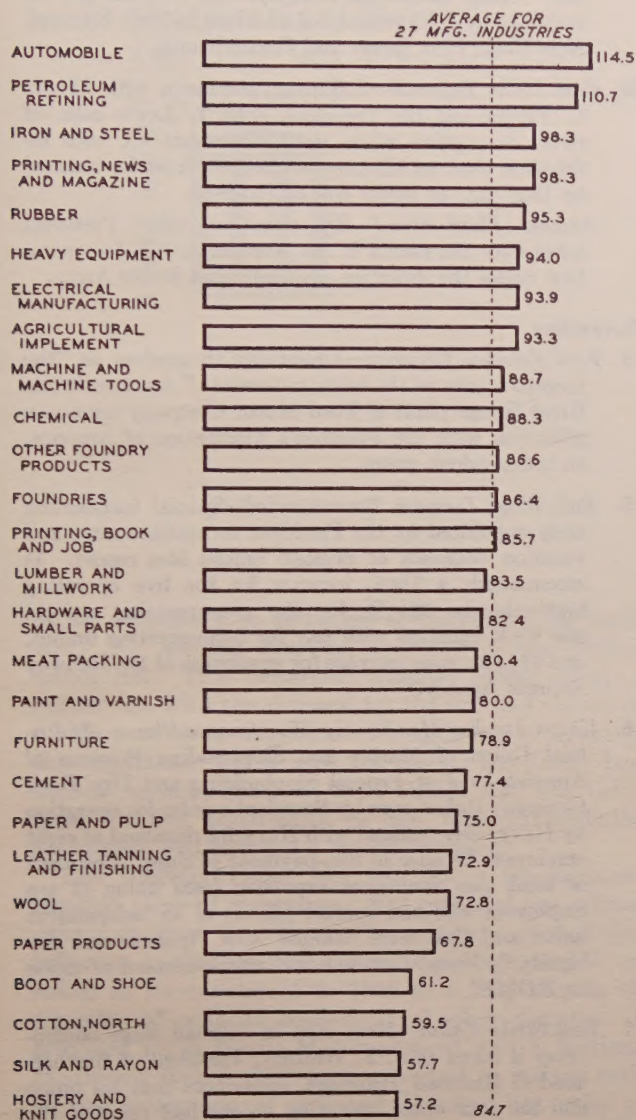
Source: THE CONFERENCE BOARD





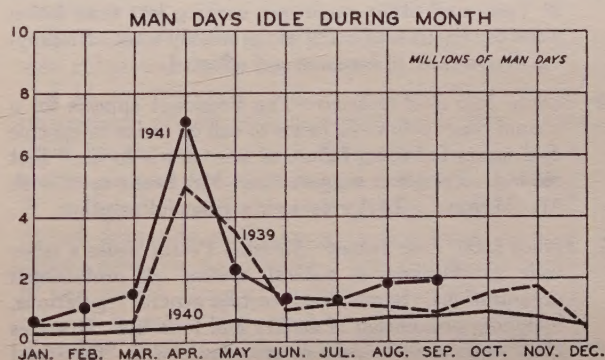
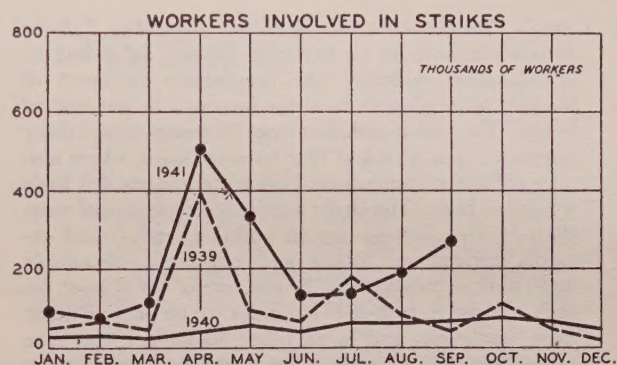
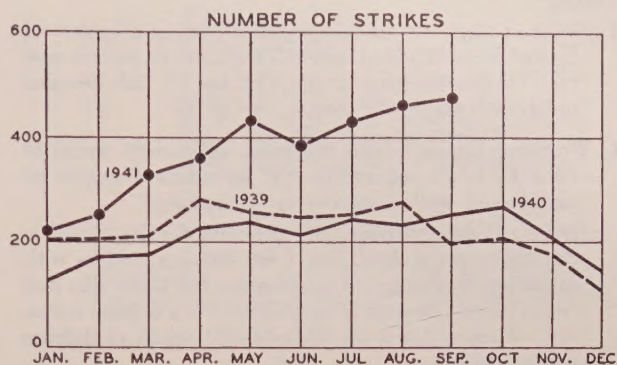
### AVERAGE HOURLY EARNINGS IN CENTS, TWENTY-SEVEN MANUFACTURING INDUSTRIES, SEPTEMBER, 1941

Source: THE CONFERENCE BOARD



### INDUSTRIAL DISPUTES

Source: United States Bureau of Labor Statistics



## A Glance at Labor Statistics (Continued)

Real weekly wages or the purchasing power of money wages, increased from 143.3 in August to 145.0 in September.

The earliest figures in THE CONFERENCE BOARD'S wage series are for July, 1914 just prior to the beginning of the first World War. A comparison of data for that period with those for the present gives some indication

of the strides that have been taken in improving labor conditions; for example: average hourly earnings, all wage earners, 24.7¢ in July, 1914 and 84.4¢ in September, 1941; average weekly earnings, \$12.68 in 1914 and \$35.10 in 1941; average hours of work per week, 51.5 in 1914, 41.6 in 1941, and all over 40 hours per week compensated at least at time-and-a-half.



## Chronology of Events Affecting Labor Relations (Continued from page 145)

## October

- 22 *Strike in Captive Coal Mines Called*—District leaders of United Mine Workers issue call for strike in captive coal mines to be effective midnight, October 27. Sole demand involved is for closed shop.

- 24 *President Requests Mine Operation*—President writes to John L. Lewis requesting that operation of mines be maintained while controversy is mediated.

*Striking Welders Reclassified*—Selective Service Board in Seattle begins reclassifying 1,300 striking welders with intention of placing in Classification I-A those who had been deferred because of employment in a defense industry. Strikers tying up \$365,000,000 worth of defense construction.

- 25 *Canada Ties Wages to Cost of Living*—Canadian Labour Minister announces an Order in Council extending to all Canadian industry the compulsory payment of bonuses to employees to cover increases in the cost of living. The Order prohibits wage increases except those approved by a National War Labour Board, which also may authorize suspension of bonus payments if it finds wages too high. The Order applies to employers of more than fifty employees (ten in building trades) and exempts agriculture, fishing and non-profit, charitable and religious enterprises. Bonus rate is 25¢ a week for each 1% rise in cost-of-living index, to be paid all adult male employees, and to all other employees who earn more than \$25 a week. For male employees under 21 years and other employees earning less than \$25 a week the bonus rate is 1% of the weekly wage. Employees above rank of foreman not affected.

- 26 *Second Plea Sent to Lewis*—The President appeals for a second time to John L. Lewis to call off strike in captive coal mines following failure of Mr. Lewis to heed first request. President suggests that Mr. Lewis meet with Mr. Myron C. Taylor to seek a peaceful solution.

- 27 *French Labor Code Issued*—Marshal Petain issues a labor code establishing a general system of professional organizations. It sets down certain general regulations, including prohibition of strikes and lockouts. It states that wages shall be paid in accordance with "the social stage and the job executed" and provides for arbitration of all types of disputes. Labor unions are not abolished, but are restricted to organization within single professions or industries and are "strictly excluded from all political or confessional activity."

*Drive to Unionize Oil Workers*—CIO announces intensive drive to unionize 500,000 oil workers. The drive will be directed by Edwin S. Smith, former member of NLRB.

*President Writes Lewis Third Time*—A third request of the President to maintain operation in captive coal mines is sent to John L. Lewis as steel companies report restriction of production in anticipation of coal shortage.

- 29 *Sectional General Strike Threatened*—Richard Frankenstein, National Director of Aviation for UAW-CIO, threatens to use union's "large-scale economic strength"

## October

to force settlement of labor dispute at Air Associates, Inc. Union spokesmen interpret this to mean general stoppage by CIO workers of all kinds in New England, New York, New Jersey and Pennsylvania.

- 30 *Coal Strike Deferred*—Following discussion with Myron C. Taylor and the President, John L. Lewis calls off strike in captive mines until November 15, with intimation that satisfactory settlement must be reached by that date or strike will be renewed.

*Another Plant Seized*—By executive order, President takes over the plants of Air Associates, Inc. for operation under the direction of the United States Army.

## November

- 3 *Ford Foremen Organize*—Describing themselves as "the forgotten men of the labor movement," foremen in the River Rouge plant of Ford Motor Company announce affiliation with the Foremen's Association of America, an independent group.

- 5 *Rail Wage Increase Recommended*—Special fact-finding body appointed by the President to mediate wage and vacation demands of railroad unions files report. It recommends a 7½% increase for the five operating brotherhoods, 13½% for the non-operating unions, one week vacation with pay for non-operating unions, and 7½¢ an hour increase for employees of the Railway Express Agency.

- 6 *Union Invokes Membership Maintenance Clause*—Industrial Union of Marine and Shipbuilding Workers of America local at Federal Shipbuilding and Dry Dock Company (taken over by President's order for operation by Navy) files demand with Navy for dismissal of eight employees because of non-payment of dues. President of local also announces expulsion from union of ten employees who had become officers of an independent union and thus were charged with "treason and disloyalty." Naval Commandant refers demand of union to NDMB.

- 7 *Rail Strike Called*—Next step in railroad wage controversy is taken as A. F. Whitney, President of Brotherhood of Railroad Trainmen, announces that his union and the four other operating unions had rejected the proposals of the President's fact-finding body.

*24 Million Work Days Lost*—U. S. Department of Labor announces that during first fifteen months of rearmament program, 24,284,981 man days of defense effort were lost because of strikes. Competent authorities estimated that this lost time, if applied exclusively to manufacture of airplanes, would have produced 10,000 pursuit planes, with enough left over to build two or three good-sized warships.

- 10 *NDMB Rejects Union Shop*—With the two CIO members dissenting, the full membership of the NDMB votes 9 to 2 against recommending acceptance of the union shop in the "captive" soft coal mines.